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C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 002460

SIPDIS

FOR NEA/ELA, NEA/I, AND EEB

E.O. 12958: DECL: 08/20/2018

TAGS: PREL ETRD EINV IZ JO

SUBJECT: SHARED HOPES FOR A JORDANIAN-IRAQI FREE TRADE ZONE  
WITHIN TWO YEARS, BUT THERE ARE MANY CHALLENGES TO OVERCOME

REF: A. AMMAN 146

1B. BAGHDAD 205

1C. 07 AMMAN 3909

Classified By: Ambassador R. Stephen Beecroft for reasons 1.4 (b) and (d)

11. (C) Summary. The Jordanian Free Trade Zones Corporation seeks to establish a mutual Free Trade Zone with Iraq in the Karama/Trebil border area by 2010. An investment forum to discuss the topic took place in late May in Amman. A prime developer expressed frustration that Jordan is dragging its heels, but Jordanian participants voiced their own frustration with the Government of Iraq. Capital investment is needed for the area, and Jordan is actively looking for both donors and investors to help get the project underway.  
End summary.

#### Investment Forum on Free Trade Zones

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12. (U) The Investment Forum in the Free Zones conference, co-sponsored by the Jordanian Free Trade Zone Corporation (FTZC) and Al-Zamel International General Trading and Contracting Company of Kuwait, occurred May 28-29, 2008, in Amman. The focus was on plans for the Karama/Trebil Free Trade Zone (FTZ) in the Jordan-Iraq border area. Mahmoud Quitishat, General Director of the Jordanian FTZC, and Walid al-Zamel, Vice-Chairman of the al-Zamel Group, were keynote speakers. In his remarks, Quitishat said that FTZC had allocated land for three FTZs in the Jordan-Iraq border area. One is already being operated by the Government of Jordan, and two are to be privately developed in Build-Operate-Transfer (BOT) arrangements by Zamel and by the Jordanian investment company Beitna. Zamel estimated USD 100 million would be required for full development of the area, including the eventual establishment of residential areas and commercial facilities to support the workers living there.

#### Developer Blames Jordan; Jordan Says Iraq Causes Delays

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13. (C) In a separate discussion with Econoffs, Zamel estimated the project could be completed within two years, but was being delayed by Jordanian bureaucracy. He opined that the Government of Jordan (GOJ) appeared to approach the Karama-Trebil project with reluctance, and said he had requested a meeting with Chief of the Royal Court Dr. Bassem Awadallah to discuss this seeming lack of Jordanian action. Zamel reported he has not yet given up hope, but if the situation did not improve, his firm would eventually have to quit the project and move on to other ventures.

14. (C) In a related discussion, Muhammad al-Daajah, FTZC Assistant Director for Technical Affairs, explained that Jordan wanted to establish a mutual FTZ with Iraq but was being hindered by the Iraqi government which, despite earlier promises, had not been making serious efforts and was

continually asking for more time to reconsider all options. Daajah expressed concern that Iraq would establish a joint FTZ with Syria before Karama could become fully operational.

**¶15. (C)** In a follow-on August 5 discussion, FTZC Director General Quitishat claimed that he had successful, high-level discussions on FTZ development with his Iraqi counterpart and the Iraqi Finance Minister; he anticipated further discussions in the near future. Quitishat echoed the comments of his deputy, Daajah, about the need for infrastructure investment and inquired about possible U.S. financial assistance. He noted he was scheduled to discuss foreign aid eligibility with the Jordanian Ministry of Planning and International Cooperation.

**Obstacles: Utilities Impact Everything in Jordan**

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**¶16. (SBU)** Electricity and water supplies remain major obstacles to development at Karama. The current desalination unit produces approximately 35 cubic meters of fresh water per hour, but the Zamel group had initially requested up to 200 cubic meters per hour. Also, the current electrical production/availability is no more than about ten megawatts, but Zamel and Beitna would require 45-60 megawatts for their zones. Such demands will require a facility costing approximately USD 15.5-19 million to construct, with costs normally shared by the developers in proportion to the percentage of their expected consumption.

**¶17. (SBU) Comment.** Free Trade Zones remain a hot discussion topic in Jordan. The May conference successfully showcased

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the message that Jordan is business-friendly and highlighted that FTZs provide opportunities. Nonetheless, funding issues and problems obtaining sufficient utilities remain, and both the Iraqi and Jordanian governments seem to be moving ahead cautiously. It is also not clear that there is enough trade potential in the near-term to justify three hoped-for border FTZs. Still, the GOJ and a primary developer continue to actively discuss the matter and co-hosted the May conference (inspiring fairly open discussions), indicating potential still exist for future cooperation and progress. End Comment.

**¶18. (U)** This cable has been cleared by Embassy Baghdad.

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<http://www.state.sgov.gov/p/nea/amman/>  
Beecroft